

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4647-01
Bill No.: SB 675
Subject: Elderly; Disabilities; Tax Credits; Taxation and Revenue-Property
Type: Original
Date: February 22, 2012

Bill Summary: This proposal would repeal the Missouri Property Tax Credit program.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|------------------------------------|------------------------------------|------------------------------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| General Revenue | More than \$109,000,000 | More than \$109,000,000 | More than \$109,000,000 |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | More than \$109,000,000 | More than \$109,000,000 | More than \$109,000,000 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|--|------------------|------------------|------------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| General Revenue | (Unknown) | (Unknown) | (Unknown) |
| | | | |
| Total Estimated Net Effect on FTE | (Unknown) | (Unknown) | (Unknown) |

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|-------------------------------------|------------|------------|------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

In response to similar proposals, officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

In response to similar proposals, officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal would not result in additional costs or savings to their organization.

BAP officials noted that this proposal would repeal the Senior Property Tax Credit, and that \$114.9 million was redeemed under this program in FY 2011. This proposal would increase General and Total State Revenues by a similar amount.

BAP officials also stated that this proposal may impact other economic activity, and could result in reduced consumer spending but BAP officials could not estimate the induced, perhaps negative, impact on revenues.

Finally, BAP officials stated that the revenue increase resulting from this tax change would exceed the estimated \$80.2 million limit for revenue increases under Art. X, Section 18e of the Missouri Constitution.

ASSUMPTION (continued)

Officials from the **University of Missouri, Economic and Policy Analysis Research Center** (EPARC) stated that, if enacted, this proposal would repeal the Missouri Property Tax Credit program, commonly referred to as the circuit breaker tax credit, which allows certain renters and property owners to receive a tax credit for property taxes paid or rent constituting taxes paid.

The EPARC baseline data for 2010 indicates that \$108,045,709 in property tax credits was claimed. Therefore, if the Missouri Property Tax Credit program was repealed we would expect to see an increase in Net General Revenue of \$108,045,709.

Oversight has calculated average tax credit issuances for the most recent five years for active Missouri tax credit programs. The average for property tax credits is \$109,067,770, and since this tax credit program results in credits that are redeemed the same year they are issued, Oversight assumes the fiscal impact for this program would be \$109 million per year.

Officials from the **Department of Revenue** (DOR) assume this proposal would not have a fiscal impact to their organization.

The legislation would repeal the Property Tax Credit. In FY 2011, approximately \$115 million in credits were issued.

DOR officials stated that DOR hires temporary employees to key property tax credit claims each year. The savings associated with those temporary employees would be approximately \$90,000. The Department would also have savings of approximately \$9,000 per year related to printing Property Tax Credit Forms, savings of approximately \$12,000 for postage related to tax books, and savings of approximately \$15,450 for postage and printing costs related to notices. DOR officials stated that DOR would expect to receive contacts from most of the individuals that would no longer be eligible for the credit, and DOR would need staff currently used to process the claims to answer telephone calls, e-mails, and letters sent by prior claimants.

ASSUMPTION (continued)

Oversight assumes the Department of Revenue would have an unknown staff reduction resulting from the repeal of the Property Tax Credit Program, but the savings would be realized until at least the initial year when the program is terminated.

Oversight also assumes DOR would have some cost to change forms and programs. Oversight assumes the changes to forms and programs could be assumed with existing resources. If unanticipated additional costs are incurred or if multiple programs are enacted which increase the DOR workload, resources could be requested through the budget process.

Finally, Oversight notes that the Property Tax Credit program allows filers to claim the credit for taxes paid for the same year as the income tax return forms, and assumes this proposal could become effective for 2012 since the proposal would be enacted before filing begins for 2012 personal income tax forms. The first returns without the tax credit would be filed in January 2013 (FY 2013), and Oversight will also include the unknown cost reduction for the Department of Revenue for FY 2013.

| <u>FISCAL IMPACT - State Government</u> | FY 2013 (10 Mo.) | FY 2014 | FY 2015 |
|---|--|--|--|
| GENERAL REVENUE FUND | | | |
| <u>Additional revenue</u> - reduction of tax credit redemptions | \$109,000,000 | \$109,000,000 | \$109,000,000 |
| <u>Cost reduction</u> - Department of Revenue | <u>Unknown</u> | <u>Unknown</u> | <u>Unknown</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>More than</u> <u>\$109,000,000</u> | <u>More than</u> <u>\$109,000,000</u> | <u>More than</u> <u>\$109,000,000</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2013 (10 Mo.) | FY 2014 | FY 2015 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

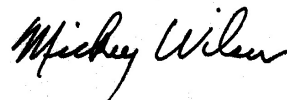
FISCAL DESCRIPTION

This proposal would repeal the Missouri Property Tax credit program.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Division of Budget and Planning
Department of Revenue
University of Missouri
Economic and Policy Analysis Research Center



Mickey Wilson, CPA
Director
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